

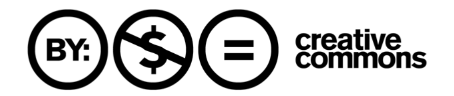
Études chinoises

Taxing Transformations : Some Fiscal Features of Chinese States Past and Present

Roy Bin Wong

Résumé
Coûteuses transformations de la fiscalité : quelques caractéristiques de l'imposition en Chine hier et aujourd'hui.
Cet article décrit dans les grandes lignes les principales évolutions des politiques fiscales depuis le XVIIIe siècle, tout en mettant en lumière certains éléments de continuité sur plusieurs siècles. Plus largement, la fiscalité et les finances publiques s'avèrent être une clé intéressante pour comprendre en quoi les transformations politiques en Chine se rapprochent de schémas bien connus en Occident mais aussi dans quelle mesure, et pourquoi, elles s'en éloignent.

Abstract
This article considers briefly some of the main ways in which fiscal policies have changed since the eighteenth century. At the same time, it identifies some traits that have been persistent over much of the past several centuries. Taxation and public finance prove useful vantage points from which to consider how Chinese political transformations more generally resemble patterns familiar in the West as well as how and why they also differ.



Taxing Transformations: Some Fiscal Features of Chinese States Past and Present

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Two fiscal perspectives on modern states

Issues of taxation are basic to the process of modern state formation in Europe. On the one hand, rulers in seventeenth and eighteenth-century Europe constantly struggled to increase their revenues and resources to pay for armies going to battle and for bureaucracies managing their subjects. On the other hand, negotiations over taxes were a basic focus for the development of representative institutions. Analytically separate from the process of modern European state formation are those features conventionally associated with a modern state, which include a taxation system that is rule-governed and follows some socially agreed upon notions of fairness and equity. The process of modern Western state formation and the traits of a modern state's taxation system are of course empirically related for Western cases. But how are they related in other parts of the world? In other words, to what extent does the process of modern state

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formation affect the traits of a state's modern taxation system when there isn't the arc of political change broadly found in Western Europe and North America?

China is an excellent place to consider this question because it has a history of transformation into a modern state and it also has a rich history of taxation. I will try to suggest that China's arc of political change also influenced its modern fiscal system, specifically that the People's Republic created tax systems in the mid-twentieth century explicitly intended to solve fiscal problems of the previous hundred years that implicitly affirmed certain ideals and standards of state operations of an even longer standing. When issues of fiscal reform, in particular relations between central and provincial and local finance, became increasingly pressing in the 1980s and early 1990s, the problems can be viewed analytically both as challenges of administrative rationalization and as elements of a path-dependent set of political possibilities for change, which intersect with new ways to negotiate interests in contemporary China.

The Qing Fiscal System

The Qing goals of good governance included light taxation. Historians have generally been skeptical of these claims, noting ways in which taxation clearly exceeded statutory rates [1]. Economists and political scientists

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[1] Philip Kuhn has noted that the underfunding of local government meant that the magistrate and his staff had to rely on additional levies and fees not monitored or controlled by higher level officials; opportunities for corruption were considerable and by the late eighteenth century, mounting evidence of problems appears (Kuhn 2002: 22-24). How to read back from the general problems of local administration at

often argue that states in general seek to maximize their revenues much as business enterprises maximize their profits [2]. Together these perspectives lead us away from considering the ways in which the goal of light taxation was both a symbol and goal of good governance that made strategic sense for the central government of an agrarian empire seeking ways to sustain its effective rule [3].

The eighteenth-century Qing state relied primarily on land taxes which had begun to be commuted from grain to money in the late Ming dynasty. In addition the Qing state gained revenues from its monopoly over salt and its levies on both commercial and foreign trade. Compared to successful centralizing states of Europe with their growing need for resources to pay for their armies, Qing levies were modest. They were not, however, limited to routine taxes at the low statutory rates. Local government was largely funded separately. The central government also implemented additional measures, revenue measures including surtaxes earmarked for particular purposes, the sale of examination degrees, and contributions from wealthy merchants. The state repeatedly raised extraordinary revenues when officials embarked upon some particular large-scale campaign, including military campaigns as well as extraordinary civilian projects. These strategies did not become the routinized basis of a larger fiscal capacity in the first two centuries of Qing rule. In contrast to European states that constantly sought new ways to expand their revenues and to secure larger stable revenue sources, the Qing state already had a larger

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the end of the eighteenth and in the nineteenth centuries to earlier decades of the Qing dynasty remains a challenge.

[2] E.g. Douglass North 1981: 23-25; Margaret Levi 1988: 3-4.

[3] Low taxation was part of a broader set of strategies that included civil service examinations, rotation of officials, rules of avoidance regarding serving in natal areas, and both routine and extraordinary surveillance and personnel reviews.

routine base of revenue and with far fewer war making demands was able to limit its extraordinary resource mobilizations.

Officials affirmed the Confucian-inspired ideal of taxing lightly in order to store wealth with the people: if the people held on to their resources they could become prosperous and if secure materially they would more likely remain peaceful. If taxed heavily, however, they might rebel. The state had sound political reasons to equate light taxation with social stability. Many of the important challenges of ruling an agrarian empire began at the local level with social order in the villages, on the basis of which political integration was constructed. Local social stability was enhanced through the formation and maintenance of institutions inspired by a Confucian vision of public order; these included granaries, lineages, schools, and other welfare institutions and activities. Properly Confucian local elites joined officials in helping to organize and financially support these efforts; relatively modest amounts of state revenues were used to meet these tasks of rule. Thus, without committing large amounts of routine revenues to local order and social welfare, the Qing state succeeded in supporting local social order. Combined with efforts at surveillance over people's activities and at promoting cultural beliefs, the state exercised a degree of social control surprising to any whose ideas about state capacities and intentions are largely defined by European historical experiences.

A second less immediately obvious problem was avoided by taxing the people lightly. A system of relatively light taxes in which the majority of revenues left the county under central government supervision meant that it was difficult for local officials to amass resources of their own which could become the foundation for their claiming separation from the center. Limiting the capacity of officials at county and provincial levels to amass resources and determine on their own the uses to which they were put complemented government policies to rotate officials and keep them from serving in their provinces of origin. The eighteenth-century Qing fiscal system mobilized and utilized revenues in a manner coordinated

from the center to meet the various tasks on its agenda of rule without courting competition from local or regional officials seeking to wrest some amount of power from the center. This observation suggests that the success of a fiscal system can be gauged not only by the amounts of revenues it generates, but by how it defines its tasks and how their execution enhances or undermines the government's likely viability. The Qing state deliberately taxed lightly. Revenue maximization is therefore neither the sole nor absolute goal for all rulers. Those with more sophisticated techniques of rule in particular usually have ideologies of rule that include a broader range of criteria for success. Certainly the Qing state inherited a rich tradition of political philosophy and policy choices that did not include maximizing its revenues.

In spatial terms, officials created integrative links that complemented those forged by commerce. Where commerce connected areas along major transportation routes and fostered the economic development of core areas, officials forged ties to peripheries by moving resources and encouraging the movement of people into these areas. Some of these people were military sent to man garrisons in the northwest and southwest; others were civilians who went to cultivate untilled lands or pursue trade. The Qing state offered assistance to people seeking to open barren land with loans of seed and money for draft animals as well as tax holidays on newly reclaimed fields. In addition the state transferred grain to the peripheries to aid the food supply conditions of settlers. This aid was neither constant nor always necessary. But it did represent a rather unusual approach to imperial integration. Many pre-nineteenth century political systems, including empires, extracted resources and attempted to move them to the political center; the eighteenth-century Qing state, in contrast, envisioned the settling of its frontiers as a method for consolidating its control over these far-flung territories and therefore encouraged the flow of resources to peripheries (Wong 1999; Wong 2004).

The vast spatial scale of the empire combined with official efforts to keep taxation light and still move resources around the empire meant that officials allowed a part of county-level fiscal activities to be outside central government supervision. Higher level officials could always make extraordinary investigations to discover problems; this possibility in principle helped keep local officials from grossly violating the norms of light taxation. The political economy of agrarian empire more generally committed the state to considerable efforts at water control, food supply management, and the promotion of agricultural and handicraft production technologies. These activities took considerable bureaucratic energy and effort and at times also required considerable mobilization of resources. But even when extraordinary "campaigns" were mounted their requirements did not lead to a persistent expansion of the formal fiscal base of the eighteenth-century state. The fiscal demands on the Qing state fundamentally changed after the mid-nineteenth century. The subsequent limitations of these operations give us a fresh perspective on how the expansion of revenues and expenditures between the mid-nineteenth and mid-twentieth centuries undermined ideas about good governance and transformed the Chinese state.

Fiscal Expansion and State Transformations, 1850-1950

Beginning around the mid-nineteenth century, the central Chinese government began to face a number of large rebellions as well as more modest challenges to its authority in yet other areas. A combination of bad harvests, exhausted ecologies, and growing populations created many locales that were difficult to govern. Efforts to impose order often incited further opposition to officials. It would have been easy to predict the fall of the Qing dynasty in the 1850s as it faced widespread unrest with no certain ways of expanding its fiscal and military powers necessary for the state to

remain in power. The textbook view of the Qing state after the mid-nineteenth century stresses its failures to become an effective force guiding the country into the twentieth century in the manner of the Meiji state in Japan. The Qing government, however, did mobilize the monies and manpower needed to quell the disturbances. Fiscal expansion was a fundamental component of the state's transformation, which entailed the destruction of a previously successful logic of good governance based on low taxation.

In 1849 the government raised some 42.5 million taels of revenue with 77 percent of this coming from agriculture and the balance from commerce. Thirty-six years later revenues had climbed to more than 77 million taels, the increase largely due to a quadrupling of the commercial revenues. Expenditure levels had remained in the range of 30-40 million taels annually between the 1720s and the early 1840s. They then doubled to 70-80 million taels annually between the 1860s and early 1890s (Hamashita 1989: 66). The capacity to increase revenues and expenditures in this manner is hardly the sign of a weak state, even allowing for inflation and a growing economy.

Much of the state's increased revenue was raised by the Imperial Maritime Customs Administration. In addition to being used as security on foreign loans, which were used to help pay for the 1867 Muslim rebellion suppression in northwest China, customs revenues were also used in the 1880s to build railroads (Hamashita 1989: 68, 72). The development of Chinese central government control over customs revenues is a clear indication of the state's ability to create new infrastructural capacities. When the late nineteenth-century central government is not judged by its failure to survivc beyond 1911 but is instead compared with the eighteenth-century central government, its fiscal capacities were clearly augmented, in part because it adapted certain foreign methods of raising funds. But these Chinese increases were nothing compared to the nearly 302 million taels of revenue gathered in 1911, the final year of the dynasty--

agricultural taxes had grown from roughly 30 to roughly 50 million taels with another 45 due to miscellaneous sources; more than 207 million came from commercial taxes – whatever the late Qing state's weaknesses, raising money was not among them (Wei Guangqi 1986: 227). Unfortunately, the Japanese indemnity equaled a full year's receipts and the Boxer indemnity was one and a half times as large. These charges made China's fiscal situation precarious and ultimately untenable.

The expansion of state capacities to mobilize new revenues and make new expenditures came at a high price. Even if the Qing state could continue to expand its revenues during its final decade of rule, it could not begin to develop a persuasive political explanation of how and why it chose to tax in the ways that it did. The collapse of the Qing dynasty in 1911 spelled the end of an imperial system of rule, marked for several centuries by the elaboration of a vertically integrated bureaucratic structure. Provinces declared their "independence" of the center to bring down the last dynasty and some reasserted their "independence" in 1913 and again in 1916. One of the important ways their defiance of the central government was expressed came in refusals to forward land taxes. Some areas would not send land taxes to the center until mid-century, when the Communists came to power. Neither the eighteenth-century bureaucratic system for collecting revenues nor the nineteenth-century strategy of domestic transit taxes and the maritime customs functioned at the central level. At the same time, county-level demands to fund new schools and police forces especially, created new fiscal pressures.

While merchants could seek to negotiate the levels of taxation they paid, peasants had no such options. Their principal means of communicating with authorities over tax issues was to resist new tax collections that they believed had been forced upon them to pay for activities that they did not want. Even if they had supported new government activities generally and agreed to new taxes, the uncertainty over how much to pay and how many of the new goods and services to acquire would have introduced

opportunities for disagreement and protest. In early twentieth-century China, common people had no institutional basis upon which to negotiate new taxes—they were best able to build upon earlier traditions of collective tax resistance and individual refusal to pay. [4]

While common people engaged in protests against many of the new taxes, elites were developing new criteria for government participation on the basis of ideas and institutions originating in Europe. The calls for representative assemblies at local, provincial and national levels created new political institutions but without clear or stable roles in either the late empire or early republic. Elites were principally concerned about threats to the country's military security. Fears of foreign dismemberment of China stirred the national imagination, but it was, in fact, competing warlords who carved up the country after 1912. Even after the Nationalist Party asserted a decade of nominal national control beginning in 1927, their sphere of direct control was limited to provinces near the capital. In other areas they depended upon forming coalitions with resident warlords whom they incorporated into their state structure. Competition among military strongmen did not create spaces for civilian elites to mount effective demands for political voice. The extraction strategies of these military leaders did not elaborate new and mutually beneficial relations between themselves and merchant elites. Warlord regimes did not craft conditions for civilian elites to exchange their fiscal support for political voice.

Under the Nationalist regime, elites were encouraged to continue supplying resources and organizational energy to promote local order, but were carefully kept from achieving new forms of political representation and power. Nationalist inabilities to create the kinds of strengths exhibited by the Qing state before the Japanese invasion became even more pronounced after 1937. Yet, even as expectations and possibilities for fiscal

[4] For earlier Chinese tax resistance and a comparison to European cases, see Wong 1997: 231-51.

administration had not escaped the standards developed in earlier centuries, the continued pressure of mobilizing more revenue moved the Nationalist government to extraordinary measures on scales far beyond those ever attempted before. These included the early 1940s decision to impose a system of monopoly sales under state control for a variety of consumer items and a variety of domestic and foreign loans taken by both the central and provincial governments. [5] Practices, such as printing more money as a way of gaining more revenue, not surprisingly, caused price inflation, a problem that become especially acute in the late 1940s when the more general dislocation of the economy encouraged hyperinflation.

Through four decades of parcellized sovereignty, foreign invasion by the Japanese, and civil war between the Communists and Nationalists, the linkage between taxation and representation forged in European history was not duplicated and thus could not be at the heart of twentieth-century Chinese ideas about good governance. Both the ideological and institutional bases for negotiating taxes developed in Europe were absent in China. There was nothing to resemble the affirmation of certain rights or privileges in return for agreements to taxation typical of French kings negotiating with towns or the kind of taxation authority English elites had from the late seventeenth century embodied within parliament.

The ideals of good governance promoted by the Communist Party when it proclaimed the People's Republic of China in October 1949 harkened back to earlier expectations of government supplying peace and promoting material prosperity. The new government swiftly asserted centralized control over fiscal matters. From the vantage point of twentieth-century history, their achievement was new. But from a longer historical perspective, they largely reasserted and elaborated upon earlier strategies. Their underlying logic of good governance in fiscal as well as other mat-

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[5] On the policies regarding wartime monopoly sales, see Ho 1992.

ters resonated deeply with late imperial practices, despite the more obvious signs of revolutionary political and social changes.

Fiscal Order and Reform in the People's Republic of China

One of the first fiscal goals of the new Chinese government in the early 1950s was to establish central control over finances (Liu Zuo 2001: 27). The standards of control, implicitly if not explicitly, replicated the highly centralized pattern of the Qing dynasty, in which provincial and sub-provincial authorities lacked, at least in principle, any tax levying authority. In practice, the unitary state ideal with centralized control over the fiscal system meant that after 1949, much as during the Qing dynasty, a good part of county-level finances were beyond the oversight of the central government. Local finances beyond central government control were tolerated in practice without being affirmed in principle under both the eighteenth-century and post-1949 states. Despite the post-1949 state vastly expanding its bureaucratic capacities and articulating its political vision in a Communist rhetoric with no obvious parallels to the Qing era Confucian rhetoric, the fiscal reach of the central state down into the county initially remained limited and one of its strategies for coping with these limitations, namely retaining the prerogative to make extraordinary investigations, replicated in spirit and sensibility some practices used two centuries earlier.

Republican-era local governments had raised considerable revenues that were never systematically controlled by higher levels of government. One might have expected the Communists to make a more aggressive effort to gain control over local government budgets when they took power in 1949. But the decision to do so only became compelling when the opportunities to raise new revenues locally accompanied the growth of township and village enterprises (TVEs) beginning in the 1980s. This

marks a major change from earlier fiscal practices spanning Confucian and Communist eras.

Higher levels of government began in the 1980s and 1990s to seek new monitoring and control mechanism over revenues that were not previously part of the budget kept by the central state. The scale of local revenue expansion dwarfed the levels allowed by the Qing government. From the reform-era central government perspective, the problem with these growing off budget revenues was the large number of actors and their many allocation decisions that made the standardized use of these funds difficult to assure. The central government aimed to achieve greater control over local revenues and budgets by making them explicitly separate from the central government's budget. The division of revenues and expenditures works well in those locales that have done well under the economic reforms. These have generally been those counties and provinces in which new forms of industry have expanded rapidly. Most of them have been concentrated in eastern coastal areas. For much of the western half of the country, the lack of rapid economic growth means they lack the fiscal base to support local government activities in the manner of county governments in the eastern part of the country.

The economic reasons for the growing gap between eastern and western China follow directly from the ease with which the non-state commercial and industrial activities expanded in eastern coastal areas and the far greater difficulties of doing so in the western interior. Investment increased swiftly in the richer parts of the country for several reasons. New financial policies encouraged capital accumulation and both public and private investment. Local and provincial governments retained portions of their increasing revenue from taxing economic growth and invested these funds to enhance future economic growth possibilities. The challenges of reforming the state-owned heavy industry sector weigh disproportionately on western provinces, which are saddled with these industries and their huge deficits that require considerable financing from the

central government to stay afloat. The scale of the growing regional gaps in the 1990s created spatial inequalities greater than those found in the former Yugoslavia or in India. Commentators have echoed Deng Xiaoping's concern that regional inequalities could be one of the main causes of social unrest should the government prove unable to promote more economic development in the western half of the country.

The challenges of extending the sources of economic growth from developed regions to peripheral ones has become far more difficult in the new millennium than it had been two centuries before. In the Qing dynasty officials could invest resources and promote the transfer of agrarian technologies to peripheries and expect some degree of replication of best techniques adapted to local conditions. Now, the kinds of institutional infrastructures to be built to support a commercial and industrial economy are far more difficult to create than those appropriate to an agrarian economy. Differences in regional endowments matter greatly. Changes in taxation policies make the political economy challenges even more difficult. Two centuries ago the central government was able to mobilize and transfer revenues out of developed provinces and move them to less developed areas. Richer areas were taxed more heavily. In the 1990s however the lowest rates were in the coastal regions such as Guangdong and Hainan and the highest rates in the least developed areas such as Tibet and Qinghai (Bird and Chen 1998). Despite the heavier burdens of taxes in the poorer regions, the scale of revenues available in richer areas was far larger, basically because off-budget revenues were much greater in more developed regions (C. Wong 1998).

The fiscal relationship between central and local governments remain complex. On the one hand the central government makes efforts to offer lower levels of government some measure of fiscal autonomy. On the other hand, the state wants to increase its capacities to monitor fiscal operations at all levels; this includes higher levels of government being able to audit lower levels. The 1994 fiscal reforms increased in some ways

and reduced in others the degree of local government autonomy. The degree of explicitly accepted autonomy in terms of independent revenue sources was increased at the same time as the bureaucratic controls to monitor more clearly autonomous operations was increased. These Chinese changes fit within broader global trends of fiscal decentralization which are taking place in different economic and political settings. Fiscal reforms have been features of state transformations across the globe and, certainly in the Chinese case, they have also changed long-standing practices.

The Chinese state, not unlike other governments, wants to pursue both efficiency and equity criteria in its fiscal reforms, but how to balance them and deal with tradeoffs between the two isn't clear (Shi, Liu, Qian and Dong 1998: 66). Indeed, defining equity itself is not easy, though there is widespread recognition that the widening disparities between "East" and "West" in China demand some kind of redress and for many this means the transfer of resources coordinated by the central government to the poorer provinces. While the phenomenon has become increasingly serious in recent years, the idea of reducing regional disparities politically is a very old one, which previously contributed to ideas about imperial integration and now address the unity of the nation.

Fiscal Reform as Policy Rationalization and as Historical Process

Fiscal reform discussions in past decade have stressed "science" and "rationality". Policy makers criticize certain situations for lacking these traits and claim that their reform efforts promote them. Observers remark, for instancc, that thc division of managcmcnt authority is not "rational"; the division of tax types not "scientific", and tax collection not standardized (Shi, Liu, Qian and Dong 1998: 36). Issues of what "rational" means are not always clear; for example when calling for a "rational transfer pay-

ment system" or "scientific transfer payment system", the problem of setting rates isn't always confronted (Zhongguo caizheng xuehui, ed. 1999). Other writers claim that fiscal administration has "scientific responsibilities" (Zhongguo caizheng xuehui, ed. 1999: 387-88). The use of this kind of rhetoric transforms politically sensitive issues where different groups can have competing interests into objective problems with rule-governed solutions. This rhetoric also offers officials a basis to claim legitimacy for their possibly controversial policies.

The reliance of Chinese scholars and analysts upon the language of "scicncc" and "rationality" tends to make the choices taken seem objective and necessary. Yet there was considerable debate across a variety of fiscal issues. In the decade beginning in 1985, analysts debated the number of ways in which the state's fiscal administration should seek to control different kinds of monies including budgets, non-budgetary sources, credit, and state enterprises (Jiang and Li 1996: 97-106). They also debated the traits that made the system a socialist fiscal system. While all scholars stressed property relations, some also stressed the state's use of fiscal mechanisms to accumulate capital and guide economic construction more than others (Jiang and Li 1996: 107-112).

Part of the framing of Chinese fiscal challenges as problems subject to rational and scientific solutions includes study of conditions in foreign countries. Practices in more developed societies are assumed to be more rational and scientific and hence worthy of study and emulation. Chinese analysts have noted both the globalization of the economy in the 1990s as well as the development of national taxation systems to fit within market economies (Liu Zuo 2001: 506-32). For some analysts, the review of foreign fiscal practices creates a general policy context within which Chinese choices can be made. Foreign examples suggest to these authors common trends of standardization of tax types and collection practices, as well as an increasingly rational disposition of taxes to accompany the increase of local fiscal expenditures. All of these themes support the Chinese tax re-

form process. What they don't quite do, however, is explain how negotiations should take place between levels of government when there are not already clear structures in place for such discussions.

The Chinese national state's re-emergence after the Japanese defeat in World War II represents a return to ideals of unification and integration last articulated successfully by the Qing empire. The eighteenth-century Chinese state long had a large and complex bureaucratic structure and had several centuries earlier solved the challenges of competing with well-organized elites like European nobilities, urban elites and clerics. Good government in the eighteenth century depended on the emperor and central government officials aggressively pushing policies intcnded to implement a Neo-Confucian agenda of social order, while they kept taxation relatively light. (Wong 1997: 105-26) Even with elite contributions of organizational skill and money, there were times when the state needed more resources and manpower to achieve its goals. For these occasions, "campaigns" were initiated. When a more chronic demand for revenues by the central state began in China during the second half of the nineteenth century, elites did not have the ideological or institutional means present in Europe to deflect and moderate them. Common people had even fewer means of opposing new levies and began to engage in protests and resistance as the basic way by which they could make clear that older norms had been violated. During the first half of the twentieth century, increased demands for resources out of local communities spawned increased refusal by individuals and resistance by groups against outside demands. The Communists came to power and succeeded in re-establishing order, including fiscal order, less by negotiating with people than by imposing practices that were considered reasonably just and were backed by considerable coercive potential. It was both morc difficult and less necessary for most people to resist fiscal policies than it had been in earlier decades. In the reform era, the state has continued to deflect popular efforts to influence government dictated taxation policies resulting in continued pres-

sures for political voice and at times to violent protests (Bernstein and Lu 2003).

Taxation and Negotiating Interests

Late imperial China had no equivalent to representative assemblies through which elites could negotiate with the government over issues of taxation. The state did not face constantly increasing needs for revenue to engage in war making. Instead the seventeenth and eighteenth-century Chinese state had for several centuries managed to rely on a relatively light rate of agricultural taxation that was augmented through a variety of mechanisms when special projects were mounted or extraordinary crises were confronted. The absence of both an ideology and institutions through which principles of negotiation could be implemented defined a different set of political possibilities for state transformations. Officials formed a de facto alliance with local elites who included some who passed civil service exams and others who had Confucian learning as well as wealth from land or commerce. It was these local elites who helped fund and manage institutions of social order such as schools, granaries, and lineages through their "contributions" which were not part of formal government revenues. Post-imperial governments, including those both before and after 1949, have continued to harbor expectations about how to create elites close to the government. They have sought to channel elite and popular aspirations for political participation into a focus on local issues and to mobilize general support through symbolic affirmation of higher level administrative decisions.

Since economic reforms began in 1978 with ever increasing amounts of market-based economic decision making, the central government has both decentralized some political decision making and removed the state entirely from other activities. Amidst these changes, the central

government for some time continued in principle to determine all tax rates, giving local governments designated shares of revenue. But economic reforms created new challenges for the fiscal system. As in other developing countries experiencing rapid economic growth, government revenues as a percentage of GNP declined in China. More troubling to the central government, the share of revenues reaching and staying at that level was falling in the 1980s. By 1992, some 19% of central government revenue was actually being disbursed to lower levels of government. Moreover, local governments were increasing the amounts of revenue they collected locally that remained 'off-budget,' that is in a category of revenues outside the centrally determined national budget. Faced with these changes, the central government labored to reconsolidate its fiscal authority with new tax guidelines in 1994, the major aim of which was to expand central government revenues. In order to secure agreement from local governments, the center agreed not to increase its share of existing revenues, but to rely upon a general growth of revenues to yield it additional funds. For the first time in Chinese history, bureaucratically separate national and local tax administrations appear to have been effectively established in many places. By having a more clearly demarcated space for its public finance, local governments can potentially benefit from the tax reforms. Even so, the larger goal of the reform package has been to reassert the central government's integrated control over revenues.

The central government is not only affirming its importance to China's political economy in an age of reform, it is seeking to limit the flexibility and economic importance of local government finance. At the same time, however, local fiscal practices are an arena in which we can see some democratic political practices emerging. People are proving that they are willing to tax themselves in order to meet growing demand for public goods. To the extent that people are able to decide how much to spend on what kinds of projects, they are making choices that affect their lives, a basic feature of democratic decision-making. There appear to be

several ways in which this has been done. Sometimes local governments initiate a public project and call for contributions; if people agree it is a worthy endeavor, they support it. In at least one town in the southern province of Guangdong, people established a Board of Directors for Public Projects that authorized local efforts to build and repair roads, schools and hospitals; significantly the board included no officials. In general, the funds for local projects fall under an 'off-budget' category outside central government control. Of course, the center can always attempt to stop a project. Such decisions can, in turn, elicit popular protest; for instance pcople complained in a county of the province of Anhui when officials stopped an irrigation project after funds had already been raised. Because water control projects often have quite literally downstream effects, higher levels of government have to be concerned about what local people do.

Changes in local political practices have been closely tied to economic decision making. For instance, when village level elections began in the 1990s to replace the system of appointed leaders, people often voted for those individuals that they believed could best promote the village's material prosperity. This meant in many areas voting for the individuals deemed most likely to expand township and village industry production since rural and small-town industries have been a driving force behind economic growth in the countryside. As in the case of local public finance issues, democratic possibilities are tied to improving material welfare through popular participation in decision making. Village leaders can 'represent' local interests in a direct economic sense. The potential for political changes are tied to economic changes. Only in the counties with TVE do officials enjoy the resources to spend on local public goods such as education. The demands placed on all townships, irrespective of their wealth, exceed their capacities, leading policy analysts to advocate further fiscal reforms (Song Hongyuan 2004).

Our conventional approach to historical change in non-Western settings doesn't encourage a search for domestic dynamics of change. Instead

we expect change to mean the creation of practices similar to our own that must result from the adoption of models derived from Euro-American experiences. Because we can often find examples of explicit borrowing it is easy to assume that such activities exhaust the relevant subjects to consider. Our outsider's assumptions are often shared by participants who are not always aware of the ways in which they draw on existing repertoires of activities, while their study of foreign models and adaptation to domestic conditions is far more deliberate and explicit. We have to step back from the limited horizons of the actors themselves in order to appreciate larger patterns and longer-term processes. While the central government continues to be reluctant to grant political voice to people regarding general taxation issues, local public finance includes examples of both participatory decision making and its absence.

To recapitulate, the development of taxation and public finance in Euro-American settings was intimately enmeshed with two major aspects of territorial state formation. (1) The formation of large bureaucracies and armies to engage in war making competition; (2) negotiations by rulers with elites, a process which defined the powers and limitations of both as it provided a set of practical models for later democratic developments. In contrast, the late imperial Chinese empire's agenda for rule and strategies of taxation provided a set of practices and expectations that informed twentieth-century state efforts to exert social control and mobilize revenues to pay for expanding state activities. The later developments of Chinese taxation practices, both the difficulties and possibilities for local level political change, demonstrate that differences persist despite assumptions of convergence based on Euro-American practices. What recent Chinese and Western public finance problems suggest is that both have lost their earlier logics of good governance and must now construct new claims to legitimacy and demonstrate new capacities to be effective.

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Résumé

R. Bin WONG : Coûteuses transformations de la fiscalité : quelques caractéristiques de l'imposition en Chine hier et aujourd'hui

Cet article décrit dans les grandes lignes les principales évolutions des politiques fiscales depuis le XVIII[e] siècle, tout en mettant en lumière certains éléments de continuité sur plusieurs siècles. Plus largement, la fiscalité et les finances publiques s'avèrent être une clé intéressante pour comprendre en quoi les transformations politiques en Chine se rapprochent de schémas bien connus en Occident mais aussi dans quelle mesure, et pourquoi, elles s'en éloignent.

Abstract

R. Bin WONG: Taxing Transformations: Some Fiscal Features of Chinese States Past and Present

This article considers briefly some of the main ways in which fiscal policies have changed since the eighteenth century. At the same time, it identifies some traits that have been persistent over much of the past several centuries. Taxation and public finance prove useful vantage points from which to consider how Chinese political transformations more generally resemble patterns familiar in the West as well as how and why they also differ.